

THE CONVERSATION



NSW councils shake-up: is the endgame near?

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Almost four years since the process of restructuring local government began, the Baird government faces many challenges in finalising its plans. AAP/Lukas Coch

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The Baird government is pressing on with its **agenda for restructuring** local government across New South Wales and for the Sydney Metropolitan Region in particular.

Casting ahead to see what the outcomes might be, the experience of other Australian states and territories is salutary. It appears likely there will be a political price to pay at the next state election due in March 2019. Of more concern is that the reasons for undertaking reform have been lost in the fog of politics – both party-political and state-local.

Speculation about the process' probable endgame is rampant. In essence, the government's plans involve a radical reduction in the number of councils. The change in Sydney would be particularly intense – from 41 councils to anywhere between six and 20.

Councils are loath to concede that they will do as the government says and endure a reduction in local representation. Rumours of the **wholesale sacking of all councils**, to be followed by compulsory mergers, have circulated.

Some councils have armed themselves for **legal challenges to any forced mergers**. Any such challenge would test state-local government relations. However, in law as a sovereign government, the state, if pressed, would surely prevail.

The reform process has been lengthy. First, an inquiry by the **Independent Local Government Review Panel** culminated in its **final report**. Published in October 2013, the report contained 65 recommendations.

Second, the government response, **Fit for the Future**, launched in September 2014. This

required all councils to submit proposals weighted toward the option for amalgamation by June 30, 2015.

Third, these proposals were assessed by the Independent Pricing and Regulatory Tribunal (IPART). The tribunal delivered its 500-page final report on October 20. Councils then had to respond by November 18.

In the coming days, the government is due to decide which councils ought to amalgamate. It will reconstitute the Local Government Boundaries Commission to oversee the process.

In May this year, the opposition parties combined in the NSW Upper House to initiate the Local Government in New South Wales Inquiry. The inquiry roundly criticised the Coalition government on procedural and evidential grounds in its final report tabled at the end of October.

It is important to note the government has created a new statutory planning body, the Greater Sydney Commission, which will be headed by a former lord mayor of Sydney, Lucy Turnbull. Under the Greater Sydney Commission Act, councils will be obliged to recognise its authority in planning matters.

Council mergers are political dynamite

Experience in Australia's other states and territories suggests that council amalgamation programs have an electoral impact upon the governments that execute them.

For instance, the amalgamations undertaken in Queensland in 2008 are cited as a contributing factor to the electoral wipeout of the Bligh government in 2012. The radical regionalisation of councils in the Northern Territory in 2008 – from 53 community councils to just eight regional councils – is cited as one reason for the Labor Party's defeat in 2012.

In Western Australia, the fear of electoral backlash has arguably prevented the Barnett government from pursuing amalgamations across the City of Perth.

With this negative electoral impact possible, one could argue that the Baird government is being politically courageous. It is equally possible to argue that the process has degenerated into an argument over amalgamations.

In his contribution to a recent edited book on Australian local government reforms, former local government minister Don Page gave three reasons for initiating local government restructuring. At the top of the list was his observation that:



Former NSW minister Don Page has cited a 'toxic' relationship between state and local governments as a key reason reform is needed.

AAP/Ben Symons

The relationship between state and local government had deteriorated to a point where it could accurately be described as toxic.

Second was the issue of the financial unsustainability of "many councils", followed by "a focus on compliance rather than performance".

Evidence for merger savings is weak

Amalgamation as a means to achieve enhanced financial sustainability has been somewhat discredited. Even the IPART-commissioned “confidential report” by Ernst and Young, which was published as Appendix E of its **final report**, is cautious in this regard. It states that “cost savings ... may be difficult to measure” and that “econometric analysis does not provide strong support”.

Further, our work at the UTS Centre for Local Government on **service delivery** demonstrates that a focus on enhanced performance can be achieved within existing councils.

The former minister’s principal concern, namely the relationship between state and local governments, has arguably been harmed by the handling of the reform process. The sector’s latest report on **cost-shifting**, released last week, is evidence of the state of play.

The state government, statutory bodies and other stakeholders will have to work hard to improve this relationship. This will be the case no matter what the outcome of the government’s imminent deliberations. This suggests there is a lot more work to do; the very idea of an “endgame” for the process may be premature.



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